

LAND BOARD AGENDA ITEM
September 17, 2007

**FINAL CONSIDERATION FOR THE
DNRC/CB RANCH LAND EXCHANGE**

PROPOSAL:

Department of Natural Resources and Conservation (DNRC) requests final consideration from the Board of Land Commissioners (Board) of a proposed land exchange between the CB Ranch and the State of Montana (State) involving land located in Ravalli County near Darby, Montana.

PROPONENT:

CB Ranch

ACRES:

Approximately 1,280 acres would be acquired from the CB Ranch in exchange for approximately 640 acres of Trust Land.

BENEFICIARY:

Common Schools

LOCATION:

Ravalli County

BACKGROUND:

This exchange is one component in the culmination of nearly 20 years of effort by community leaders, elected officials and conservation groups to deal with the railroad land grant checkerboard pattern in Rye Creek. Through a number of land exchanges and purchased by the Forest Service and private parties, state and federal land has been consolidated enhancing public access and resulting in more efficient land management.

CB Ranch wishes to acquire State section 36, T4N-R21W adjacent to their ranch property. This is a classified forest parcel without legal public access or access for land management purposes. In exchange, the State would receive two sections of land in the Rye Creek and Cameron Creek drainages. The first parcel is section 25, T3N-R19W located immediately north of State Trust Land in the Sula State Forest. The

second parcel offered is section 1, T3N-R20W. This parcel is adjacent to an existing Trust Land section along the north fork of Rye Creek.

On December 19, 2005 the Board gave unanimous preliminary approval for DNRC to proceed with the analysis of the exchange proposal. Subsequently, on July 25, 2007 the Department held a formal public hearing on the Land Exchange in Hamilton, Montana. Approximately 15 people attended this hearing. All comments received were in favor of the proposal.

EXCHANGE CRITERIA ANALYSIS

Appraisal and review of the parcels illustrates the land exchange meets or exceeds all the relevant land exchange criteria, and accrues the following benefits to the beneficiaries.

1. EQUAL OR GREATER ACREAGE AND VALUE

DNRC would acquire 1,280 acres and dispose of 640 acres.

DNRC would acquire \$1,984,000 and dispose of \$1,088,000 (w/ access value). See values below.

State DNRC w/ access	S36 T4NR21W	\$1,088,000
State DNRC w/out access	S36 T4NR21W	\$ 688,000
CB Ranch (accessible)	S25 T3NR20W	\$ 992,000
CB Ranch (accessible)	S01 T3NR20W	\$ 992,000

2. STATE LAND BORDERING ON NAVIGABLE LAKES AND STREAMS

No navigable lakes or streams are located within the boundaries of the candidate land listed in the exchange proposal. There is a small, intermittent stream, Mike Creek, located on State section 36 T4N-R21W. There is a tributary of the North Fork Rye Creek in section 1 and a tributary of the North Fork of Cameron Creek in section 25. The Headwaters of Rye Creek are also located in section 25. The stream reaches associated with the lands are not deemed important fisheries according to the FWP. There are no filed water rights with any of the exchange lands. There would be exempt water rights for stockwater use.

3. EQUAL OR GREATER INCOME TO THE TRUST

A sixty year projection of costs and revenues was prepared for lands involved in this exchange and is included in the environmental assessment. Projected sources of revenue include forest management, grazing management, and recreational use. An analysis of these projections concludes that the lands proposed for DNRC acquisition, have a higher projected rate of return, a higher projected net income, and higher future and net present land values than land to be disposed. The estimated rate

of return on land proposed for acquisition by the state is 1.9% whereas the land proposed for acquisition by the CB Ranch has an estimated rate of return of 1.6%. The exchange meets the criteria for equal or greater income to the trust.

4. EQUAL OR GREATER ACREAGE

DNCR would exchange to CB Ranch 640 acres, and CB Ranch would exchange to DNRC approximately 1,280 acres (Current and Final Status Maps) . This exchange would increase the Trust Land base by approximately 640 acres.

The 640 acres of Trust Land to be exchanged to the CB Ranch is Common School Trust. The 1,280 acres acquired would become part of the Common School Trust.

5. CONSOLIDATION OF STATE LAND

The lands proposed for exchange to the State would result in consolidation of Trust Lands. Acquiring section 1 of T3N-R20W would create consolidation with State section 36 of T4N-R20W (adjacent to the north). Acquiring section 25 would create consolidation with State section 36 of T3N-R19W (adjacent to the south) and would add land to the Sula State Forest (77-5-102 MCA).

State section 36 of T4N-R21W proposed to be exchanged to the CB Ranch is an isolated tract.

6. POTENTIAL FOR LONG-TERM APPRECIATION

If the State retained the 640 acres proposed for exchange, it is likely the land would continue with the current use of grazing and limited timber production. Long-term appreciation would be associated with the increased value of those uses. With the access limitation to the State section 36, it is unlikely that DNRC would propose a change in land use to increase potential for long-term appreciation.

An economic analysis of land values, projected costs, and projected revenues indicates the proposed land exchange will result in a greater present and future value to the trust (See Forest Land Analysis Summary).

7. ACCESS

The State section proposed for exchange to the CB Ranch (S 36, T4N-R21W) does not have legal access. The CB Ranch is adjacent to the south, east and a portion to the west of the State Trust Land. Private ownership surrounds the section and there are no adjacent public lands. Existing roads and trails are limited. There is a low standard logging road that parallels Mike Creek in the south half of the section. This exchange would not eliminate public access or recreation on the exchanged 640 acres, as it does not exist.

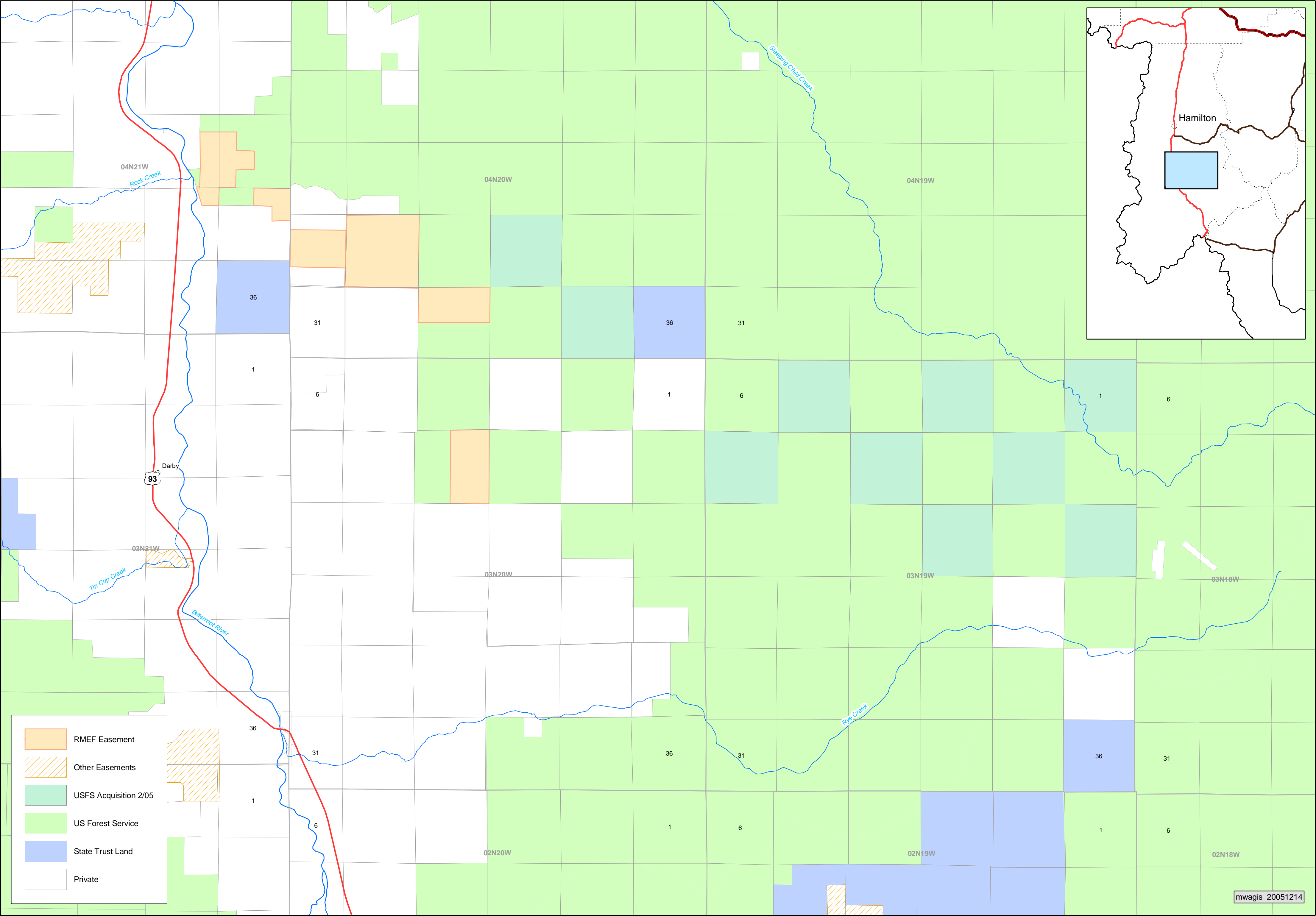
The CB Ranch land the State would receive in this exchange is publicly accessible from County and/or Forest Service roads. The Forest Service roads are maintained gravel roads open to motorized public use. The road right-of-ways proposed to be exchanged to the State are Forest Service cost share roads. These rights can be assigned to the State by the CB Ranch. This exchange would result in 1,280 acres of Trust Land available for land management as well as public access and recreation.

AGENCY RECOMMENDATIONS

The land exchange meets and exceeds the land exchange criteria as described above and would be a benefit to the trust beneficiaries. The Director recommends this exchange receive final approval by the Board. If approved by the Board, DNRC and CB Ranch will complete the necessary steps to finalize the land exchange.

CB Ranch Exchange

Current Status



CB Ranch Exchange

Final Status

